HOUSE INTERNATIONAL RELATIONS COMMITTEE
HEARING ON
"DEMOCRACY IN LATIN AMERICA: SUCCESSES, CHALLENGES AND THE FUTURE"
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TESTIMONY SUBMITTED BY
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Good morning, Mr. Chairman and members of the Committee. My name is Christopher Sabatini. I'm the senior director of the Americas Society and Council of the Americas, non-partisan organizations created over 40 years ago by David Rockefeller to promote better understanding and dialogue in the Western Hemisphere. The Americas Society, a registered non-profit under IRC regulations, and the Council of the Americas, a business organization representing over 175 companies invested in Latin America, are dedicated to the strengthening of open markets, democracy, rule of law, and economic development in the Americas.

We are in the midst of an unprecedented historic electoral cycle in Latin America. In the 14 months between November of 2005 and December of 2006, there will be 13 presidential elections and at least 9 congressional elections. Latin Americans from Mexico to Chile are exercising the most essential and basic of democratic rights: the right to vote. This comes at a time of growing worries on the part of citizens concerning their economic security, jobs, and prosperity. These concerns, however, are not to be confused with rejection of democracy.

Citizens still support democracy in the region but, in many countries, institutions—both governmental and political—remain weak. While countries such as Chile and Mexico remain stable—in large part because of economic and political reforms and their integration into the global economy—in other countries institutions are being severely taxed by political change and polarization. This condition forces us to look beyond individual leaders and movements to find ways to strengthen institutions and reach out to new leaders. Such an effort should be guided by the idea of inclusion: extending a hand to elected governments, leaders and movements that want to address historical problems of poverty and inequality by better linking their countries to the modern global economy and elected governments and to their leaders who are trying to establish democratic means of including citizens and new entrants into politics.

Democracy Is Still the Preferred Form of Government

Despite what you may hear, democracy remains the preferred form of government throughout the hemisphere. According to regional public opinion surveys, the majority of citizens (53%) still believe that "democracy is preferable to any other form of government"—an increase of 5% from 2001.

Even in Cuba (the one non-electoral democracy in the region) democracy activists registered over 3,000 examples of civic resistance to the Castro regime last year.

For all these citizens, from the Rio Grande to the Tierra del Fuego, the democratic dream remains alive. People still see democracy as the best means to address economic and political demands. Sixty six percent of citizens, according to the same survey, still believe that only with a democratic system can a country become developed.

But what is emerging is a variegated region in terms of the levels of democratic institutionalization. If citizens believe in democracy, in many cases democracy is not delivering for them. The variation in democratic stability hinges on the capacity of the political system to provide realistic, responsible options to voters that reflect popular demands and the capacity of the state and government to implement policies and deliver services, including justice.

Towards Consolidating Democracy

In countries like Chile, Brazil, Mexico, and Uruguay institutions and policies are converging to secure a more stable democracy, despite whatever partisan shifts may occur from election to election. To be sure, there are challenges in each country. Most of them relate to the need to expand and improve the delivery social services in areas of basic and higher education, access to markets, and the rule of law. In the case of Brazil and Mexico, governments are also need to sustain efforts at institutional reform in a number of areas to consolidate economic gains made in recent years.

To this group, I would also add Colombia. While it, even more than the others, confronts serious challenges, Colombia has made great strides in the last four years. The challenges it faces are of a different type from the others, and involve securing peace and state authority throughout its territory, addressing grave concerns about impunity of combatants, confronting the erosion of the party system, and tackling a series of governmental and fiscal reforms.

A common thread runs through all of these countries: their integration into the global economy and the web of free trade agreements that binds them to it. In varying degrees, every one of these countries over the last decade has made a conscious decision to hitch their economies to the global market in ways that have provided concrete economic and political benefits.

To be sure, trade alone is not sufficient for sustaining and strengthening democracy or reducing poverty. Open markets need to be tied to extensive social and infrastructural programs to ensure that already divided societies and isolated sub-economies within the region do not become more divided and more isolated.

Yet what closer integration into the global economy has done in all of these cases is to provide a political and economic framework. This integration has served as an anchor to ensure political consistency across administrations, provide a long-term perspective for investors and the government, and help create stable jobs for citizens—according to regional surveys, the greatest demand in Latin America today.

Institutional Erosion and Backsliding

This contrasts with several of the other countries in which historically weak institutions are straining to keep up with rising citizen discontent over poverty and inequality and the participation of a new generation of citizens (indigenous, Afro-Latinos, and youth). To this I would add the growing pool of informal sector workers—laborers on the margins of the legal economy and politics who have been shut out of formal jobs because of slower than expected growth and inflexible labor laws.

These new entrants into the political system are coming with new demands, new forms of political participation, but often they are confronting political systems that are not reforming or adapting: leaders that refuse to yield power to a new generation; parties that remain top-down and undemocratic; and governments and states that have maintained the same personalized, corrupt ways of doing business. As a result, when they failed (or even refused) to adapt, party systems have fragmented and even collapsed, leading to a profound change in the structure of politics.

For this reason, this year, the year of the elections in Latin America, is particularly crucial. In the fourteen-month span beginning December 2005, there have been and will be presidential elections in: Honduras, Bolivia, Chile, Costa Rica, Haiti, Peru, Colombia, Mexico, Ecuador, Brazil, Nicaragua, Venezuela, and Guyana.

Many of these countries (such as Colombia, Peru and Mexico) are also having congressional elections, in addition to El Salvador and the Dominican Republic that only had congressional elections.

All of this makes it an unprecedented election year for the region and one that could dramatically re-cast the political landscape in the hemisphere and with it policy towards and within the region on everything from trade, energy, human rights, economic reform, and regional diplomacy. Unfortunately, at a political level, these changes are often described in left-right terms. Depicting them so, however, obscures far more than it illuminates.

On the one hand, there are the countries discussed earlier, Chile, Uruguay, Brazil, Costa Rica, and now (ostensibly with the election of Alan Garcia) Peru, with governments which, despite the leftist labels typically attached to them, are following the same core fiscal and trade policies as their supposedly more conservative colleagues in Colombia and Mexico. To be sure there are variations in emphasis, but the term leftist, as it has been traditionally used to describe leaders in the region, has lost its meaning.

On the other hand, labeling the numerous new movements that have emerged in recent years simply as left underestimates their historical and sociological importance. What is at work in Bolivia, Venezuela, Peru, Ecuador, and even in countries like Costa Rica and Colombia is a much more profound process of popular and structural change, that goes far beyond traditional notions of ideology. As I discuss in an op ed that will appear in the June 21, 2006 *Financial Times*, this change has altered political coalitions, and in many cases their exclusion and lack of incorporation into the formal political system has made them a base for populist leaders who themselves defy left right distinctions.

These new groups, new leaders and new issues are emerging and are coming to challenge historic ways of governing, express discontent at the lack of accountability of officials, and to demand change by rejecting long-established parties.

- **Bolivia:** While much of the attention has focused on the election of indigenous leader of the Movement Towards Socialism (MAS), President Evo Morales, who won 54% of the vote in first round December 2005 elections, at a more fundamental level, the election also marked the start of an untested new phase of electoral politics in Bolivia. The election ended the dominance of what used to be the traditional parties in Bolivia: the National Revolutionary Movement (MNR), the National Democratic Action (AND) and the Movement of the Revolutionary Left (MIR). Two of the parties, the MIR and the AND, vanished entirely, while the MNR received only 6% of the vote. These have been replaced by the MAS, the party of President Morales, the party of his main challenger, PODEMOS, and a raft of local, regional and ethnic groups.

- **Peru**: In Peru, the congressional and presidential elections again demonstrated the ongoing fragility of the Peruvian party system. The second round of the presidential elections pitted the outsider and ultra-nationalist Ollanta Humala against Alan Garcia who had governed from 1985 to 1990. Humala—who promised to nationalize international investments in mining and questioned Peru's proposed free trade pact with the U.S.—was able to tap widespread popular rejection of the ruling class in Peru and capitalize on the vacuum left by the collapse of the other political parties to come within 5 percentage points of beating Garcia. In the congress, Humala's party, Union for Peru, won a plurality 45 seats in the 120-seat single chamber. In all, newly emerged parties and movements received over half the seats and well over 50% of the vote in the congressional elections.

- **Venezuela**: In Venezuela, what was once thought to be the model two party system, with the Democratic Action (AD) and COPEI parties alternating power, has collapsed and given way to the arrival of the President Hugo Chávez and the Fifth Republic Party (MVR). The collapse has left a political, democratic vacuum outside the government. For the December 2006 presidential elections the question will be on the electoral conditions and guarantees for a free and fair process and whether the opposition decides to remain in the game.

- **Costa Rica**: Even the stable two-party system in Latin America's traditional island of democracy has undergone profound changes. The presidential elections on February 5th this year demonstrated that support for one-time dominant parties is disintegrating. One of the two parties that have historically dominated Costa Rican democratic politics virtually disappeared (the party of Social Christian Unity which received under 4% of the vote) and the victorious National Liberation party, led by President Oscar Arias Sanchez, won by a narrow margin to a newcomer, the Citizen Action party.

In all of these cases, much more is at work here than a left-right shift. What is occurring is profound political change in the hemisphere. Party systems are straining under the dual demands of popular dissatisfaction with the status quo and the emergence and growth of political participation in an environment in which representation has been typically skewed and often undemocratic.

In the wake of this political reorientation what comes next and its implications for democracy is unclear. The arrival to power of once marginalized populations and the promise of stable democratic inclusion that they bring can represent an unprecedented opportunity for deeper and stronger democracy. What is coming to the fore is a new generation of citizens and leaders, many of whom until recently had been excluded from power and even society. Their lack of experience and untested status in politics is a natural outgrowth of the type of exclusion they have endured, and in some cases still endure.

Nevertheless, growing popular discontent with the ability of democracy to deliver on people's economic demands, the weakening of institutions and the rise of political polarization in the region have raised troubling signs in some countries of the region. Among them:

- growing concerns about the protection of political and civil rights;
- the increasing frequency of popular protests and "street coups" that in a total of five cases (Ecuador 2000 and 2005, Argentina in 2001, Bolivia in 2003 and Haiti in 2004) have forced presidents to step down before the end of their mandate and in one case (Venezuela 2002) resulted in the temporary removal of the president;
- the erosion of international norms and standards in areas such as elections, transparency and support for civil society;
- the emergence of outsider candidates who are inexperienced and untested in democratic government and policymaking; and

- the turning away from open markets and the risk of a return to economic isolation and the failed policies of the 1960s and 1970s.

Within this process, however, if the institutions of democracy (judicial systems, political parties and legislatures), political participation and a fair, accessible open market can be strengthened, this broader process of change can be an important step forward in improving the inclusiveness of democracy in the hemisphere. As I outline in the June 21 *Financial Times* op ed, one step governments can take to shore up democratic stability and the prospects for job growth and prosperity is tackling the issue of labor reform. The politics surrounding labor have always been explosive. But the growing social and political changes in the region offer a real opportunity for governments to profoundly recast politics and labor relations in the region away from the pull of populist promises and protest.

Accomplishing all of these things requires ensuring that the rights and institutions fundamental to democracy are defended. For their part, countries within and outside the region can work together to ensure that international norms that have evolved in recent years in human rights, electoral transparency, and the right of civil society to cooperate internationally are respected and enforced. We need only look to the successful cases today, of Chile, Brazil and Mexico, to see that linking a country's economy and politics to the global system, while providing the means to bring citizens into the modern economy, still provides the most effect means of accomplishing the dual goals of shoring up democratic institutions and providing a better life for citizens.